Pharaon's U.S. Assets Are Frozen

PHARAON, From D1

aon from his other major lender, First National Bank of Boston, and took control of the rest of Independence's stock.

The suit filed by the board and management of Independence says that they were similarly misled by Pharaon about the ownership of the bank.

Fulvio Dobrich, the bank's current chairman, said Independence's board and management hopes to recapitalize the bank so that it can run independently of its current ownership.

"My reaction to the action taken by the Federal Reserve is that I hope it assists us in the process of recapitalizing the bank and severing our relationship with the existing shareholder," Dobrich said. "We're not sure who the hell that shareholder is."

The Harvard-educated Pharaon, 50, was a high-flying financier in this country during the late 1970s and 1980s, buying banks, insurance companies and oil wells. But he reportedly has run into financial problems in recent years.

A month ago, Pharaon announced plans to sell one of his U.S. companies, American Southern Insurance Co., for $33 million to Vista Resources Inc., a New York-based leather-goods concern.

J.B. Fuqua, Vista's chairman, said yesterday that he still expects the transaction to close as scheduled at the end of this month.

"Instead of Pharaon getting the money, the government will get it, I guess," Fuqua said. "The government will get the money and we'll get the insurance company."

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SEP 18 '91 3:59 FROM WHITE-COLLAR-SPINE
0-4a (Rev. 4-26-83)

The Washington Post
The Washington Times
Daily News (New York)
The New York Times
The Wall Street Journal
The Chicago Tribune
The Los Angeles Times
The Christian Science Monitor
USA Today
Date SEP 18 1991
Page D-1

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Financier Pharaon's U.S. Assets Frozen

Fed Seeks to Fine Saudi $37 Million for Role in Calif. Bank Deal

By Mark Potts
Washington Post Staff Writer

The Justice Department yesterday froze the U.S. assets of Saudi Arabian financier Ghaith R. Pharaon and the Federal Reserve proposed fining him $37 million for his role in helping the Bank of Credit and Commerce International (BCCI) to secretly take over Independence Bank of Encino, Calif.

The value of the assets, which the government claimed as collateral for the fine, was not immediately clear. Pharaon, who has close ties to the Saudi Arabian royal family, has extensive U.S. holdings in insurance, real estate, petroleum, cable television and other areas.

The Fed's action came a day after directors and management of Independence—most of them appointed by Pharaon—filed a $42 million suit accusing Pharaon and the bank's former chairman of racketeering, alleging that they were fronts for BCCI in the takeover of the bank.

The Fed alleged that Pharaon acted as a front man in Luxembourg-based BCCI's 1985 takeover of the bank, falsely representing himself as its owner when in fact BCCI had negotiated the takeover, financed the purchase, controlled the bank's stock, appointed a BCCI executive as chairman of Independence and had a hand in the hiring of other officials.

"Pharaon's secret, undisclosed arrangement with BCCI concerning Independence permitted BCCI to conceal its ownership of the bank in regulatory filings," the Fed said in its 32-page complaint.

The arrangement was similar to the one that BCCI allegedly used with Pharaon and several other investors to secretly take over Washington's First American Bankshares Inc.

The Fed has asked that Pharaon and BCCI be barred from the U.S. banking business for their roles in the First American takeover.

Pharaon also has been accused by the Fed of acting as the front for BCCI in the takeover of the National Bank of Georgia and as an investor in the now-failed CenTrust Bank in Miami.

BCCI was shut down by regulators around the world in July because of huge losses and questionable operating practices. The bank and its top executives have been charged with fraud, larceny and money laundering by New York officials.

Pharaon, who lives in France and Saudi Arabia, could not be located for comment yesterday. His New York attorney, Richard Lawler, did not return telephone calls seeking comment.

InterRedec Inc., the Richmond Hill, Ga.-based holding company for Pharaon's U.S. assets, said in a statement that it believed the freeze "will not have any adverse effect on its business operations." InterRedec is part of Pharaon's Saudi-based holding company, Saudi Research & Development Corp. Ltd.

The Fed charges that BCCI arranged for Pharaon to buy Independence Bank on its behalf, since American regulators were concerned that BCCI was too lightly regulated to be a responsible owner of a U.S. bank.

Pharaon purchased Independence for $23 million in 1985, but part of the deal was financed by BCCI in exchange for 85 percent of Independence's stock.

BCCI later paid off a loan to Phar-

See PHARAON, D2, Col. 6

GHAITH R. PHARAON
... role in BCCI takeover cited

FD-350 (Rev. 5-8-81)

(Mount Clipping in Space Below)

Effects of BCCI Scandal Spread to Asia As Depositors Fret About Possible Losses

A WALL STREET JOURNAL *News Roundup*

Repercussions from the BCCI scandal spread to Asia as fears of losses for depositors mounted in Japan and Hong Kong.

In Tokyo, Yasushi Mieno, governor of the Bank of Japan, said Japan's central bank had opened an investigation into the Tokyo branch of BCCI Holdings (Luxembourg) S.A., which held deposits of 53.7 billion yen ($391 million) as of March 31, 1991. The funds were deposited mostly by Japanese corporations and a handful of large individual investors.

In Hong Kong, Financial Secretary Sir Piers Jacobs said the government would seek to liquidate the local subsidiary of scandal-plagued Bank of Credit & Commerce International. The announcement sparked a run on at least two other foreign-owned banks in Hong Kong and triggered an angry outburst from some of the 40,000 depositors who stand to lose part of their savings because of the decision.

Separately, it was learned that Ghaith Pharaon, the Saudi Arabian investor who acted as a principal front man for BCCI, has also been a major player in the worldwide trading market for Third World debt.

Before he sold the business in May, Mr. Pharaon's New York-based trading unit had significant positions in the debt of Latin American and Eastern European nations, according to financial reports for InterRedec Inc., Mr. Pharaon's private holding company. The unit appears to have traded particularly heavily in credits of the Polish government.

Mr. Pharaon's involvment in the huge secondary market for developing-country debt adds a new dimension to the controversies surrounding BCCI, which has been accused of improper lending practices, money-laundering on a massive scale and hidden ownership of U.S. financial institutions. The debt-trading business, which has mushroomed in recent years, remains a largely unregulated market rife with allegations of questionable dealings.

In addition to the debt-trading company, the assets of Mr. Pharaon's InterRedec company at year-end 1990 consisted of insurance company assets of $84 million, cash and current assets of $19 million, investments of $17 million and property of $74 million, according to the financial records. Mr. Pharaon was a shareholder of BCCI, a major borrower from the bank and acted in the bank's behalf in some of its secret investments in the U.S.

In Japan, among BCCI's depositors was the Japanese shipbuilding giant Ishikawajima-Harima Heavy Industries Co. and one of its subsidiaries, Ishikawajima-Harima Factoring Co. Local press reports said that since the closure of the bank's Tokyo branch, the two companies have been unable to withdraw a total of 12.2 billion yen in time deposits held with BCCI. A spokesman for the shipbuilder confirmed that both companies held large deposits with the bank, but declined to comment about the value of its accounts.

The shipbuilder's spokesman said the company held deposits with BCCI because the bank offered returns slightly higher than those available at Japan's commercial banks. Ishikawajima-Harima had extensive business contacts with the bank in the past through its engineering operations in the Middle East, the spokesman said.

Ministry officials said they began looking into the operation of BCCI's Tokyo branch in June following a series of reports about the bank's troubles in the foreign press.

In an attempt to cool emotions in Hong Kong, the government injected funds into the banking system and said it didn't fear a major bank run. Bankers said the banking sector remained strong.

Some depositors saw the government's decision as a sign that it couldn't regulate, and wouldn't support, foreign-owned banks if they got into trouble.

Within two hours of Sir Piers's announcement, police were forced to cordon off some sidewalks in the bank-dominated central business district to accommodate lines of depositors anxious to withdraw funds from the banks they thought were at risk. Rumors caused runs at International Bank of Asia Ltd., whose major shareholder is the partially Abu Dhabi-owned Arab Banking Corp., and Dao Heng Bank Ltd., partly owned by the Kuwait Investment Office. BCCI has been controlled by the Abu Dhabi government since early last year.

There wasn't panic at either bank, although lines snaked from automatic teller machines and bank branches.

International Bank of Asia denied that it had any problems. Dao Heng officials couldn't be reached for comment.

(Indicate page, name of newspaper, city and state.) p. A-8 The Wall Street Journal

Date: 7/18/91

Edition: Eastern

Title: "Effects of BCCI Scandal Spread..."

Character: FIF; FAG

or

Classification:

Submitting Office: WMFO

Indexing:

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Memorandum

To : ADIC, WMFO (29B-WF-171994)(P) Date 1/30/95

[redacted] SA [redacted] (C-5)

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Subject: HIDDEN INTERESTS;
MC #38;
FIF; FAG;
OO: WMFO

Attached are two documents received from SA [redacted] FBI Los Angeles, who wrote them in conjunction with his BCCI-related investigation, captioned, "INDEPENDENCE BANK, Encino, CA; BCCI, Los Angeles, CA; FIF; OO: LA," (29A-LA-126283):

1) A memorandum, dated 7/21/92;

2) An undated insert, faxed to me 9/30/93.

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Both documents are relevant to DOJ's present consideration of superseding the DC RICO indictment to include [redacted] and INTERREDEC, INC., as co-conspirators.

[redacted]

1-WMFO (Att. 2)

29B-WF-171994 SUB FF- 31

[redacted]
(1)

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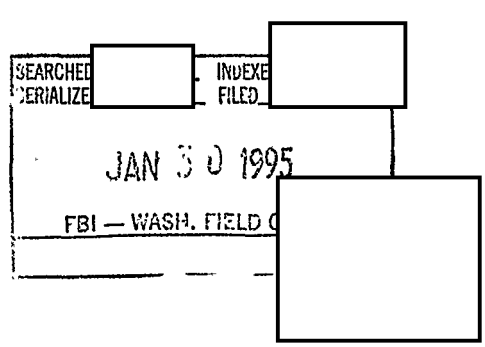

Memorandum

To : SAC, LOS ANGELES (29A-LA-126283) Date 7/21/92

From : SA [redacted] b6 b7C

Subject: INDEPENDENCE BANK,
Encino, Ca.;
BCCI,
Los Angeles, Ca.;
FIF
OO:LA

The purpose of this memo is to update the recent events regarding [redacted] and to outline the current information which could be used to include [redacted] as part of the RICO case against BCCI. b6 b7C

[redacted] b5 b6 b7C b7D

cc: 2-LOS ANGELES
1-29A-LA-126283 sub B
1-AGENT

FD-36 (Rev. 11-17-88)

FBI

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PRECEDENCE:
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☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 2/9/95

TO : SAC, ATLANTA

FROM : Acting ADIC, WMFO (29B-WF-171994)(P)(C-5)

SUBJECT : HIDDEN INTERESTS;
MC #38;
FIF; FAG;
OO: WMFO

Enclosed for Atlanta is a certified copy of a U.S. District Court, District of Columbia, order, captioned "Ex Parte Pre-Trial Restraining Order," filed 2/8/95.

Enclosed for New York is a certified copy of a U.S. District Court, District of Columbia, order, captioned "Ex Parte Pre-Trial Restraining Order," filed 2/8/95.

On 2/8/95, U.S. District Court Judge Joyce Hens Green, Washington, D.C.(WDC), issued the enclosed order, which restrains the assets of INTERREDEC, INC., Sterling Bluff, Richmond Hill, Georgia 31324, as well as any proceeds valued up to $102.5 million which captioned-matter fugitive [redacted] PHARAON may have derived from the RICO Conspiracy alleged in a superseding indictment returned in WDC on 1/15/93. The order also directs that it be served on PHARAON and his attorney--[redacted]-and on INTERREDEC, INC., both through its chairman and [redacted] at Richmond Hill, GA, and its counsel, [redacted] at WDC.

2-Atlanta (Enc. 1)
2-New York (Enc. 1)
1-WMFO

[redacted]

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29B-WF-171994 Sub FF -35

[redacted]

SEARCHED [redacted] INDEXED
SERIALIZED [redacted] FILED

Approved [redacted] Transmitted via FedEx (Number) (Time) Per

29B-WF-171994

LEADS:

ATLANTA DIVISION:

At Richmond Hill, GA: will, at the offices of INTERREDEC, INC., Sterling Bluff, telephone [redacted] serve the enclosed order on [redacted]

NEW YORK DIVISION:

At New York, NY: will, at the offices of [redacted] 200 Park Ave., telephone [redacted] serve the enclosed order on [redacted]

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA)
)
v.)
) CRIMINAL NUMBER
) 91-0655 (JHG)
) Defendant 03
[redacted])
)
Defendants)

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FILED

FEB 0 8 1995

CLERK U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

EX PARTE PRE-TRIAL RESTRAINING ORDER

This matter having come before the Court upon the Motion of the United States of America for the entry of restraining and repatriation orders pursuant to 18 U.S.C. § 1963(d)(1)(A) and it appearing to the satisfaction of this Court:

1. That the Board of Governors of the Federal Reserve System issued a Notice of Assessment of Civil Money Penalties against the defendant Ghaith R. Pharaon on July 29, 1991 (amended on September 13, 1991), and that on September 17, 1991, upon motion of the Board of Governors of the Federal Reserve System, the District Court for the Southern District of New York in Case Number 91 Civ. 6250, styled "Board of Governors of the Federal Reserve System v. Ghaith R. Pharaon," issued an Order to Show Cause and Temporary Restraining Order directed to defendant Ghaith R. Pharaon;

(N)

Clearview Baking Corporation

Concord Investments, Inc.

InterRedec Sulphur Corporation

Richmond Hill Holdings, Inc.

Soap Opera Update Magazine, Inc.

U P Holdings Limited

InterRedec Engineering, Inc.

Continental Precision, Inc.

571 acres of unimproved property across Highway 144 from the other Richmond Hill property

ISI Leasing

Ordevco, Inc.

River Bend Securities, Inc.

Maui Waikiki Investments, Inc.

The Links Club

Concorde Finance & Investment, Inc.

Concorde Holdings

Pharaon Foundation

Pan American Holdings

Reedy Corporation

InterRedec (Dallas)

International Sourcing & Marketing

Continental Finance & Investment

Falcon-Gulf Coast /Falcon Tidewater

Shares in MetroBank, N.A.

JOJA Limited Partnership (Airplane Ownership)

International Systems, Inc. and/or Notes associated therewith

and to prevent the defendant Ghaith R. Pharaon or others from alienating, encumbering or wasting said property;

6. That, based upon the Superseding Indictment and the supporting Application and Memorandum submitted by the United States, there is reasonable cause to believe that the value of the property alleged to be forfeitable in the Superseding Indictment is not less than $102,500,000.00;

7. That, based upon the Superseding Indictment and the supporting Application and Memorandum submitted by the United States, there is reasonable cause to believe that the property described in Attachment A is a portion of the direct or indirect proceeds described in the Superseding Indictment, supporting Application and Memorandum or represents the cash equivalent thereof; and

8. That, based upon the Superseding Indictment and the supporting Application and Memorandum submitted by the United States, reasonable cause has been shown for the entry by this Court of a restraining order to preserve the property described in Attachment A up to a value of $102,500,000.00, should any such property be released, in whole or in part, other than for the purpose of satisfying a civil money penalty imposed by the Board of Governors of the Federal Reserve System, from the Temporary Restraining Order of September 17, 1991 (modified by the Order of

October 11, 1991), as amended, entered by the District Court for Southern District of New York in case number 91 Civ. 6250 (PKL) and for the entry by this Court of a repatriation order directing the defendant Ghaith R. Pharaon to deposit into the registry of this Court money or other property in the amount of $102,500,000.00.

It is, therefore, the ORDER or this Court that:

9. The defendant Ghaith R. Pharaon, InterRedec, Inc., and any other person or entity, including their agents, servants, employees, attorneys, and/or any others acting in concert with them, having any interest or control over the property described in Attachment A, should any such property be released, in whole or in part, other than for the purpose of satisfying a civil money penalty imposed by the Board of Governors of the Federal Reserve System, from the Temporary Restraining Order of September 17, 1991 (modified by the Order of October 11, 1991), as amended, entered by the District Court for Southern District of New York in case number 91 Civ. 6250 (PKL), shall not, without approval of this Court upon notice to the United States and an opportunity for the United States to be heard:

a) alienate, dissipate, transfer, sell, assign, lease, pledge, encumber, or dispose of, in any manner, directly or indirectly;

b) cause to be alienated, dissipated, transferred, sold, assigned, leased, pledged, encumbered, or disposed of in any manner; or

c) take, or cause to be taken, any action which could have the effect of concealing or moving from the jurisdiction of this Court, or that would have the effect of depreciating, damaging or in any way diminishing the value of any property named in this Order;

EXCEPT THAT InterRedec, Inc. shall be permitted to conduct, either directly or through entities controlled by it, ordinary, arm's length, and reasonable business activities necessary and appropriate to preserve the business entities which it owns or controls as going concerns and to continue to do business in the ordinary course, so long as such actions do not result in the transfer of assets or monies, directly or indirectly, to the defendant Ghaith R. Pharaon.

10. It is further ORDERED that the Parties shall, should the property described in Attachment A be released, in whole or in part, other than for the purpose of satisfying a civil money penalty imposed by the Board of Governors of the Federal Reserve System, from the Temporary Restraining Order of September 17, 1991 (modified by the Order of October 11, 1991), as amended, entered by the District Court for Southern District of New York in case number 91 Civ. 6250 (PKL), present to this Court, within one week of any such release, a plan for the appointment of a monitor to oversee InterRedec's compliance with this Order.

11. It is further ORDERED that the defendant Ghaith R. Pharaon, InterRedec, Inc., and any other person or entity having

any interest or control over the property, or portions thereof, described in Attachment A, should any such property be released, in whole or in part, other than for the purpose of satisfying a civil money penalty imposed by the Board of Governors of the Federal Reserve System, from the Temporary Restraining Order of September 17, 1991 (modified by the Order of October 11, 1991), as amended, entered by the District Court for Southern District of New York in case number 91 Civ. 6250 (PKL), will be allowed to execute a satisfactory performance bond pursuant to 18 U.S.C. § 1963(d)(1). The Court will make the determination as to whether the performance bond is satisfactory, and this Order will be in effect until such time as the Court determines that the proffered bond is satisfactory.

12. It is further ORDERED that the defendant Ghaith R. Pharaon shall FORTHWITH repatriate to the United States and deposit into the registry of the Court all proceeds of the racketeering activity located outside the United States in which he has any interest valued at $1,000 or more, up to a total value of $102,500,000.00.

13. It is further ORDERED that, pursuant to Federal Rule of Criminal Procedure 49(b), service of this Order, the United States' Ex Parte Application for Pre-Trial Restraining Order, and the United States' Memorandum of Points and Authorities in Support of Ex Parte Application for Pre-Trial Restraining Order may be effected by service upon [redacted] Esquire, of [redacted] counsel for Ghaith R. Pharaon, by service upon

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Ghaith R. Pharaon at his last known address, by service on [redacted] b6 b7C

[redacted]

of InterRedec, Inc., and by service upon [redacted] counsel for InterRedec Inc.

14. This Order shall remain in effect until further order of the Court or until the Court modifies the Order as appears necessary in the interest of justice and consistent with the purposes of 18 U.S.C. § 1963.

So ORDERED this 15th day February, 1995, at 10:30 AM o'clock.

UNITED STATES DISTRICT JUDGE

United States District Court
for the District of Columbia
A TRUE COPY

NANCY MAYER-WHITTINGTON, Clerk

B [redacted] b6 b7C

ATTACHMENT A

All funds, property and assets of any kind owned or held by or for InterRedec, Inc. specifically including, but not limited to, InterRedec's interest in the following entities (including all assets owned or controlled by such entities) and assets:

InterRedec Southern Company, Inc.

River Oaks, Inc.

Montgomery Cablevision & Entertainment, Inc.

Falcon Cement Company, Inc.

Savannah Plastics, Inc.

Ordevco Hotel Corporation

InterRedec Apartments, Inc.

InterRedec Real Estate Development, Inc.

Parkway Property Owners Association

InterRedec (California), Inc.

Ogeechee River Investments, Inc.

River Oaks Investments, Inc.

American Specialty Insurance Company

Tri-Star Insurance Company

Ellis Brokerage, Inc.

Ellis Insurance Services, Inc.

Ellis Insurance Services N.W., Inc.

River Oaks Premium Finance Company (GA)

River Oaks Premium Finance Company (CA)

Sterling Bluff, Inc.

2. That on October 11, 1991, the District Court for the Southern District of New York, with the consent of the Parties, modified its Order of September 17, 1991, by appointing a monitor to, inter alia, oversee the continuing business operations of InterRedec, Inc., with the objective of preserving the value and assets thereof;

3. That on January 15, 1993, a federal grand jury of this district returned a Superseding Indictment charging the above-named defendants with violation of 18 U.S.C. § 1962(d) and alleging that the proceeds they obtained directly and indirectly from said violation, as set forth in Racketeering Acts One through Six of Count Three of the Superseding Indictment, or an amount of cash equivalent thereto, were forfeitable to the United States of America pursuant to 18 U.S.C. § 1963(a)(3);

4. That the restraining order of the District Court for the Southern District of New York may, at any time, be dissolved and the presently restrained property, or a portion thereof, returned to the control of Defendant Ghaith Pharaon through InterRedec, Inc.;

5. That the United States has moved, ex parte, for restraining and repatriation orders pursuant to 18 U.S.C. § 1963(d)(1)(A) in order to preserve the availability of the property alleged to be forfeitable in the Superseding Indictment

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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/14/92

On September 2, 1992, [redacted] was interviewed at his attorney's office, [redacted] BEACH, Solicitors, 10 New Square, Lincoln's Inn, London, England. Present and representing [redacted] was his attorney, [redacted] Also present and participating during the interview were United States Department of Justice, Trial Attorneys, [redacted] and Internal Revenue Service Agent [redacted] After being advised of the identity of the interviewing agents and the purpose of the interview, [redacted] provided the following information: b6 b7C

[redacted] b5 b6 b7C

Sub D

Investigation on 9/2/92 at London, England File # 29B-WF-171994-226

by [redacted] Date dictated 9/9/92 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

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FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/27/92

On July 14, 1992, [redacted] was interviewed at his attorney's office of LYONS, PIPES AND COOK, 2 North Royal Street, Mobile, Alabama 36652, telephone [redacted] Present during the interview was [redacted] attorney [redacted] After [redacted] was advised of the identity of the interviewing agent and the purpose of the interview, he provided the following information: b6 b7C

[redacted] His social security number is [redacted] His residential telephone number is [redacted] He is currently employed as the [redacted] of INTERNATIONAL SYSTEMS, INC. (ISI). b6 b7C

[redacted] owns 90 percent of the outstanding stock of ISI and [redacted] owns the other 10 percent. [redacted] gave [redacted] the 10 percent share of stock as an incentive. ISI is currently employing approximately 140 individuals, most of whom are located in Mobile, Alabama. The management of ISI is made up of the following people: [redacted] b6 b7C

Prior to working for GHAITH PHARAON and ISI in 1976, [redacted] worked for INGRAM in Louisiana. [redacted] worked in the Refinery Division of INGRAM. He was introduced to PHARAON by [redacted] in the latter part of 1976. [redacted] had called PHARAON in Paris to discuss helping PHARAON do business in the United States, and they made arrangements for PHARAON to pick [redacted] up in New Orleans for a trip to Las Vegas to discuss the possible business venture. At this meeting in Las Vegas, [redacted] agreed to work for PHARAON and he went to Houston and met with [redacted] where he opened the Arabian Service Corporation. [redacted] the Arabian Service Corporation, which was funded by PHARAON and was under contract to REDEC to look for investment opportunities and to procure equipment for use in Saudi Arabia. [redacted] was also tasked to look for prefabricated housing to use in Saudi Arabia and thus, ISI was formed. b6 b7C b6 b7C

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Investigation on 7/14/92 at Mobile, Alabama File # WMFO 29B-WF-171994 SAD

by [redacted] Date dictated 7/21/92

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[redacted] worked for PHARAON for approximately three to four years. They had their business disagreements, but they always maintained a good friendship. [redacted] also had disagreements with some of PHARAON's accounting people in JEDDAH and decided to leave PHARAON's employment, and he went back to work for INGRAM from 1979 to 1982. In 1982 he retired and went into investment properties in Gulf Shores, Alabama until 1986. During this time frame, he lost all his money in the investments and had to file for personal bankruptcy in 1985 or 1986. During his separation from employment with PHARAON, [redacted] remained friends and made several vacation trips with the PHARAONS.

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In 1987, [redacted] met with PHARAON in Savannah, Georgia, at his mansion/business. [redacted] discussed a new venture of the fabrication of prison cells with PHARAON. PHARAON said that the venture sounded like a good deal and that [redacted] should follow through with the idea. The plan was to utilize ISI, which at the time had only two employees. Later in 1987, ISI was restarted.

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From 1987 to 1990, [redacted] of ISI. IN April and May of 1991, [redacted] negotiated a leveraged buy out of ISI with the parent company INTERREDEC. The negotiations concerning the leveraged buy out were handled with the CEO of INTERREDEC, DOOLEY CULBERTSON. PHARAON was not involved in the negotiations. The reasons for the leveraged buy out by [redacted] were as follows: [redacted] did not get along very well, ISI could not get bonding due to foreign ownership (PHARAON), and he did it mainly for the employees, as he felt he could make the company work. The negotiations for the leveraged buy out began in October, 1990, when [redacted] met with PHARAON and told him that ISI would not be able to make it without bonding. PHARAON stated that he would try and get bonding out of London through [redacted] which he owned a part. PHARAON was unable to receive the bonding for ISI. ISI is still without bonding; however, they are working with AETNA to receive insurance bonding by the end of this year.

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The leveraged buy out with INTERREDEC was basically a 4.6 million dollar debt for stock transaction. This loan that ISI owes to INTERREDEC is unsecured.

[redacted] explained that all banking was done with local banks during the period that [redacted] of ISI. The banks that ISI dealt with were AM SOUTH, FIRST NATIONAL BANK OF MOBILE,

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automobile and a 28 foot boat. [redacted] at ISI who keep him informed as to the activities at ISI, to include [redacted] and PHARAON. These individuals are [redacted] and [redacted] who is primarily involved with payroll, sits in the office next to [redacted] and runs the switchboard on a relief basis. [redacted] and [redacted] PHARAON is still in contact with [redacted] other knowledge of PHARAON and [redacted] relationship come from [redacted] and office talk. b6 b7C

[redacted] stated that [redacted] the Comptroller at ISI, told him that [redacted] Officer at INTERREDEC, had been sent somewhere in Tennessee by PHARAON due to involvement in money laundering. [redacted] added that [redacted] b6 b7C

old Mercedes. He was not forced to resign, nor did PHARAON ever say that he should resign. [redacted] did not receive any type of boat when he resigned. Other entities that [redacted] was involved with while employed by PHARAON included ASCANTIA, OGEECHEE, which was property located in Louisiana, he was on the board of the SAM P. WALLACE COMPANY, and he worked with the MORAN COMPANY. b6 b7C

[redacted] described his relationship with PHARAON as cordial and considered him a friend. Since being contacted by the FEDERAL BUREAU OF INVESTIGATION (FBI), [redacted] has not contacted PHARAON and has no plans to contact him in the future. He does not know how to call PHARAON. b6 b7C

Everything that [redacted] has read about PHARAON and BCCI has surprised him, because PHARAON always insisted that everything be done by the book. [redacted] did state that an individual who might know more about PHARAON's accounting was a [redacted], who used to work for PHARAON in JEDDAH and PARIS. [redacted] was not sure of the spelling of this man's last name. [redacted] went on to explain that [redacted] would surround himself with simple people that were basically called "yes" people. While visiting PHARAON one time at his house in JEDDAH, PHARAON confided in [redacted] that his most lucrative deal was the sale of the NATIONAL BANK OF GEORGIA which netted him approximately 200 million dollars. The last time [redacted] saw PHARAON was in Savannah, Georgia in October, 1990. b6 b7C

FD-302 (Rev. 3-10-82)

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/27/92

On July 14, 1992, [redacted] was interviewed in Gulf Shores, Alabama. After being advised of the identity of the interviewing agent and the purpose of the interview, [redacted] provided the following information:

[redacted] on [redacted] His social security number is [redacted] He is currently unemployed. [redacted] previous employment was with INTERNATIONAL SYSTEMS INCORPORATED (ISI). He worked with ISI for [redacted] ISI closed down for operations during the period 1983 to 1985. In February, 1991, [redacted] from ISI for unstated reasons. [redacted] believed [redacted] on ISI. b6 b7C

[redacted] at ISI was the [redacted] for bonding. His immediate Supervisor/Comptroller was [redacted] of ISI and [redacted] b6 b7C

[redacted] provided a brief overview of the history of the management of ISI. [redacted] in 1976/1977. [redacted] was in Texas at the time, and he was handling other responsibilities for GHAITH PHARAON at the parent company of ISI, known as INTERREDEC (USA) INCORPORATED. In the summer of 1978, [redacted] was asked to resign from ISI by PHARAON. [redacted] was in charge of ISI from 1978 to 1986. During this eight year period, ISI had only one notable contract for a job in Orlando, Florida. Other than the Orlando project, the company was involved with liquidation of its assets. From 1985 to 1987, ISI had [redacted] full time employees: [redacted] employees worked closely together, and it was through these relationships that [redacted] knew of PHARAON. It was also during this time frame that [redacted] was fairly open with his conversations about ISI and PHARAON. IN 1986, [redacted] had begun negotiations with PHARAON concerning new business for ISI. In b6 b7C

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Investigation on 7/14/92 at Gulf Shores, Alabama File # WMFO 29B-WF-171994 GMD

by [redacted] Date dictated 7/21/92

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1987, [redacted] was back on board as [redacted] of ISI. [redacted] was no longer in charge and he had also changed his open demeanor, to one of being very closed mouthed. In April or May, 1991, [redacted] completed a leveraged buy out of ISI with the parent company INTERREDEC. b6 b7C

PHARAON originally invested between 17 and 20 million dollars for the start up of ISI. From 1976 to 1983, when PHARAON ordered the plant closed, ISI lost in addition to the start up cost, an additional 15 million dollars. In 1987, when PHARAON reopened the plant, at [redacted] request, PHARAON invested an additional 1.5 million dollars and again, the company lost approximately 4.5 million dollars from 1988 to 1990. From 1976 to the present, ISI has posted losses of approximately 40 million dollars. [redacted] bases his knowledge of the financial status of ISI on the filings he was required to make with insurance bonding companies. b6 b7C

[redacted] was concerned as to why PHARAON, known as an astute businessman, would continue to invest millions of dollars in a losing venture. [redacted] also found the leveraged buy out to be odd, in that [redacted] had been in bankruptcy with a previous business venture just a few years earlier. To the best of his knowledge, ISI only had business dealings with PHARAON related entities. [redacted] believes all of these factors provide a strong suggestion of money laundering. b6 b7C

Another odd situation concerning ISI was their practice of accounting and their relationship with banks. Concerning the accounting practices, any money received from projects would come into ISI and ISI would then, wire the money to INTERREDEC. INTERREDEC would determine what money ISI needed for operational purposes and wire the funds back to ISI. Concerning ISI's dealings with local banks, ISI had sought lines of credit from several banks, FIRST ALABAMA, CENTRAL, and SOUTH TRUST, but in each instance ISI was turned down for their request of any line of credit. SOUTH TRUST does the other banking needs of ISI, that being their checking account. [redacted] also noted that ISI was never able to get bonding insurance.

[redacted] advised that [redacted] and PHARAON maintained a close relationship. PHARAON is still very much involved with ISI. when [redacted] was asked to resign in 1978, PHARAON not only gave him 6 months severance pay, but he also received a Mercedes b6 b7C

and SOUTH TRUST. ISI maintained checking accounts only with these banks. ISI never had any banking relationship with BCCI, and he had no knowledge of INTERREDEC having a banking relationship with BCCI. [redacted] was not aware of any banks in Alabama that PHARAON dealt with. [redacted] knew that PHARAON had interest in the following banks in the United States: FIRST CITY in Houston, FIRST NATIONAL BANK OF CHICAGO, CITICORP, BANK OF THE COMMONWEALTH, and MAIN BANK. b6 b7C

Concerning business projects of ISI, 100 percent of ISI's sales were to PHARAON entities under REDEC's control. To his knowledge, there was only one exception these sales and that was a project for the King's wife. Between the period of late 1987 through 1990, ISI has had net losses. As to why PHARAON would continue to inject funds into ISI based on their net loss record, [redacted] stated that future projections showed the company to be a viable business. [redacted] also stated that PHARAON was intrigued with the construction business and whenever PHARAON became intrigued with something, his business sense got away from him. [redacted] stated that another example of this type of intrigue was PHARAON's ventures into hotel projects. b6 b7C

Concerning the city of Mobile's 1990 float of 3.85 million dollars in revenue bonds to relocate ISI, [redacted] explained that PHARAON had made long term leases on the property that ISI used and that the city of Mobile needed the property for a new company coming into the area called SINGAPORE INDUSTRIAL AEROSPACE INTERNATIONAL INCORPORATED. The move was necessary because Mobile would benefit from an increase of over 800 employment positions with the new company plus retaining ISI in the area, which kept approximately 100 Mobile citizens employed. b6 b7C

The first time [redacted] had heard of BCCI was while he was traveling with PHARAON in Argentina in 1988. [redacted] was in Argentina to assist the feasibility of building a hotel. It was during the trip with PHARAON that [redacted] got sick and PHARAON had to depart. While in Argentina, [redacted] went to the BCCI Argentina branch to arrange a debt to equity deal. The site that [redacted] was assessing for building a hotel was not the ultimate site chosen. b6 b7C

Concerning [redacted] resignation from PHARAON's employment in late 1978 or early 1979, [redacted] received 6 months severance pay of approximately $50,000.00, a bedroom set and an

[redacted]

[redacted]

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On 5/30/91, [redacted] furnished WMFO SA'S [redacted] with the following information:

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[redacted]

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FEDERAL BUREAU OF INVESTIGATION
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/24/93

[redacted] Date of Birth: [redacted] Social Security Account Number: [redacted] home address: [redacted] home telephone number [redacted] was interviewed at the Law Offices of GOLDENBERG AND MURI, 15 Westminster Street, Providence, Rhode Island, telephone number [redacted] After being advised of the official identity of the interviewing Agent and the nature of the interview [redacted] provided the following information: b6 b7C

[redacted] is employed as a [redacted] for SHAWMUT BANK (SHAWMUT), 1 Federal Street, Boston, Massachusetts, telephone number [redacted] has been employed by SHAWMUT for approximately one (1) year. b6 b7C

In April, 1988, PEOPLE'S BANK (PEOPLE'S), 333 Central Avenue, Johnston, Rhode Island, ventured into an agreement to provide a revolving line of credit to PRECISION MACHINING COMPANY, INCORPORATED (PRECISION). At the time, PEOPLE'S was owned by a bank in Connecticut. SHAWMUT subsequently acquired PEOPLE'S. [redacted] owned a percentage of PRECISION. [redacted] was a guarantor on the loan. [redacted] for PEOPLE'S. [redacted] (phonetic) was also an employee of PEOPLE'S who worked on this loan. b6 b7C

PEOPLE'S would provide funding to PRECISION based upon a percentage of PRECISION's accounts receivables and inventory. PEOPLE'S required PRECISION to submit a borrowing certificate which detailed the accounts receivable and inventory for a specific time period (usually one (1) week). The loan was originally funded approximately April 12, 1988.

Approximately six to nine (6-9) months after the loan was originally funded, a controlling percentage of PRECISION's stock was sold. [redacted] was the seller, [redacted] and a group of investors owned twenty-five to thirty percent (25-30%) of PRECISION, the remaining percentage was bought by various b6 b7C

Investigation on 5/19/93 at Providence, Rhode Island File # 29B-BS-68041 - 3

by SA [redacted] Date dictated 5/20/93

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partnerships which were ultimately controlled by INTERREDEC INCORPORATED (INTERREDEC). INTERREDEC was controlled by GAITH PHARAON. [redacted] (phonetic) and [redacted] were also involved in the partnerships that owned PRECISION. [redacted] was an attorney in New York, New York. [redacted] was a former partner of the law firm [redacted] (phonetic). [redacted] believed that this group paid too much for the acquisition of PRECISION. Prior to the sale, PRECISION had entered into contracts with ELECTRIC BOAT, a division of GENERAL DYNAMICS. [redacted] advised that these contracts were "under bid" and provided losses to PRECISION when it completed them.

The purchasers sued CORMIER for the sale of PRECISION. A Providence attorney, First Name Unknown (FNU) [redacted] (phonetic), handled the lawsuit for [redacted] partners. [redacted] now works in Boston, Massachusetts. [redacted] as a Certified Public Accountant (CPA) in the Boston area. [redacted] in late 1988 or 1989 to perform accounting services which included reviewing and preparing financial statements and reviewing the contracts of PRECISION. A settlement was reached between CORMIER and the owners of PRECISION.

[redacted] is a partner of the accounting firm of [redacted] In November, 1989, [redacted] became a twenty-five percent (25%) owner of PRECISION. [redacted] PRECISION through [redacted] also became [redacted] of PRECISION at this time. [redacted] received his ownership for no consideration.

[redacted] left PRECISION in the summer or fall of 1989. [redacted] relinquished his ownership to another partnership entity that was controlled by INTERREDEC. [redacted] was granted indemnity as a guarantor on this loan by INTERREDEC.

SHAWMUT learned of [redacted] ownership in PRECISION in March or April, 1990. [redacted] was never a guarantor of the loan. [redacted] was a consultant to PRECISION at the time the loan was originated by PEOPLE'S.

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[redacted] has PRECISION's invoices from December 29, 1989 through September, 1991. Some of these invoices are missing. Work files exist for each job completed by PRECISION. These work files include the date that the job came into PRECISION, dates that work was done on the job, the employees who performed that work, the date that the job was inspected by the Quality Control Department of ELECTRIC BOAT, and the date that the job was shipped.

SHAWMUT liquidated some of PRECISION's assets as recourse for the loan default. [redacted] advised that SHAWMUT's loss is approximately $550,000.00 in principle and interest charges. This amount does not include legal fees that were incurred by SHAWMUT to resolve this matter.

This loan was maintained by SHAWMUT's Asset Based Lending Department. This department is headquartered in Boston, Massachusetts. [redacted] believes that the actual checking account which funded the loan is maintained in SHAWMUT's branch in Rhode Island.

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[redacted] was the controller for PRECISION. [redacted] signed the borrowing certificates that were provided to SHAWMUT prior to May 22, 1990. After May 22, 1990, the borrowing certificates were signed by [redacted] Meetings were held to determine the status of specific jobs that PRECISION was working on. After these meetings [redacted] told [redacted] the amount of accounts receivables that could be reported to SHAWMUT. [redacted] sent a March, 1990, aging of accounts receivable to SHAWMUT. This aging report showed the correct number of ineligible accounts receivables. This number did not agree with the accounts receivable total on the borrowing certificates that were provided to SHAWMUT. [redacted] believes that [redacted] then created invoices to correct the balances. b6 b7C

In the Fall of 1990, [redacted] provided two (2) borrowing certificates to SHAWMUT which included inflated balances for accounts receivable. Agings of accounts receivables reports included sales for $97,000.00 and $48,000.00 respectively. The corresponding invoice numbers for those sales showed sales figures of $1,200.00 and $12,000.00 respectively. b6 b7C

[redacted] advised that [redacted] provided false information to SHAWMUT on two (2) contracts numbered 9540 and 10674. From July through August, 1990, the outstanding loan to PRECISION increased from approximately $400,000.00 to a total of approximately $800,000.00.

[redacted] consulting firm did not discover any problems with the accounts receivable provided to SHAWMUT because they were trying to keep PRECISION from going out of business. The consulting firm did not compare accounts receivable reports with the borrowing certificates provided to SHAWMUT until after January, 1991.

[redacted] was [redacted] at SHAWMUT when the loan was created. [redacted] was another employee of SHAWMUT who worked with the PRECISION loan extensively. [redacted] is now employed by BAYBANK. b6 b7C

[redacted] told [redacted] not to contact ELECTRIC BOAT for verification of the invoices because it would destroy [redacted] relationship with ELECTRIC BOAT. ELECTRIC BOAT wanted to contact SHAWMUT about the invoices but [redacted]

talked them out of it citing similar reasons. [redacted] told this to [redacted] on March 7, 1991, at a meeting between [redacted] asked for indemnification from SHAWMUT on the accounts receivable information that he provided. b6 b7C

[redacted] did not know how SHAWMUT was paid on this loan. [redacted] advised that accounts receivable can either be paid through a lockbox or through PRECISION itself.

SHAWMUT did not require audited financial statements of PRECISION in March, 1990, because [redacted] could not certify these statements due to a conflict as a CPA. SHAWMUT had March 31, 1989, audited financial statements for PRECISION. [redacted] told SHAWMUT that the company was struggling and could not afford to pay for an audit of its financial statements.

[redacted] kept all of the accounts receivable's records on a personal computer. SHAWMUT was denied access to this computer when they were at PRECISION. [redacted] was the only one who could access the computer and was never at PRECISION's offices when representatives from SHAWMUT were there. [redacted] told employees of SHAWMUT that [redacted] destroyed the computer records. b6 b7C

PRECISION worked on hatch covers and missile tube covers for submarines.

[redacted] believes that SHAWMUT issued a demand letter in May, 1990, because [redacted] was not providing the accounts receivable information. [redacted] later provided accounts receivable aging information which balanced to the borrowing certificates. Invoices that support the discrepancies between the accounts receivable aging information and the borrowing certificates provided to SHAWMUT are held at the law offices of GOLDENBERG AND MURI. [redacted] acquired accounts receivable aging information and financial statements of PRECISION that show adjustments to the amounts of invoices in order to have them agree with the account receivable aging information provided to SHAWMUT. These books were left at PRECISION when SHAWMUT took over. b6 b7C

[redacted] was [redacted] prepared payroll records for PRECISION. [redacted] does not believe that [redacted] was involved in preparing any of the borrowing certificates or accounts receivable information that was provided to SHAWMUT. b6 b7C

[redacted] did not know if PRECISION's Accounting Department prepared the invoices to ELECTRIC BOAT. [redacted] had ultimate approval decision on these invoices. [redacted] thinks that [redacted] was possibly the person who prepared the invoices. [redacted] is a relative of [redacted] is still employed by PRECISION. b6 b7C

INTERREDEC is paying [redacted] attorney's fees for his defense against SHAWMUT's civil case. [redacted] is represented by [redacted] Providence, Rhode Island, telephone number [redacted] telephone number [redacted] was employed by PRECISION in the Production Department. [redacted] Providence, Rhode Island, telephone number [redacted] was employed in PRECISION's Accounting Department. PRECISION is now known as GARVEY PRECISION MACHINE, INCORPORATED, telephone number [redacted] b6 b7C

[redacted] is an attorney employed by ELECTRIC BOAT, Groton, Connecticut. [redacted] telephone number is [redacted] has been contacting [redacted] regarding this matter. b6 b7C

Through a civil court procedure, SHAWMUT asked for any and all records relating to PRECISION that [redacted] maintained. [redacted] advised that SHAWMUT received some documents but believes that [redacted] withheld information.

[redacted] was the defendant of a 1987 civil law suit brought by BLACKER AND HOLLAND LUMBER COMPANY. [redacted] has not filed bankruptcy. [redacted] is also still in business.

In December, 1989 or January, 1989, SHAWMUT approved a $100,000.00 over funding balance on the PRECISION loan. This provided that PRECISION could borrow an additional amount up to $100,000.00 over their accounts receivable and inventory borrowing base.

SHAWMUT hired the consulting firm of [redacted] in December, 1990, because [redacted] was not providing accounts receivable aging information to SHAWMUT. b6 b7C

ELECTRIC BOAT granted contracts to PRECISION which provided for progress payments and "milestone payments" from ELECTRIC BOAT to PRECISION after PRECISION met certain criteria or completed specific jobs on these contracts. From the period of July through August, 1990, [redacted] billed ELECTRIC BOAT approximately $400,000.00 for three (3) jobs. ELECTRIC BOAT sent these invoices back to PRECISION as unpaid in September, 1990. ELECTRIC BOAT advised PRECISION that it could not borrow from SHAWMUT on these invoices. PRECISION included these invoices on its account receivable aging report that it provided to SHAWMUT after learning that ELECTRIC BOAT rejected them.

[redacted] advised that accounts receivable aging reports for July 31, 1990 and August 24, 1990, were not being provided to [redacted] The August 24, 1990, aging report subsequently acquired by SHAWMUT indicated that accounts receivable totaled approximately $612,000.00. This figure included the $400,000.00 that [redacted] sent to ELECTRIC BOAT for progress payments. [redacted] never assigned the $400,000.00 in invoices to SHAWMUT in August. [redacted] believes that [redacted] assigned these accounts receivables to SHAWMUT in prior months. [redacted] believes that from January, 1990 through July, 1990, [redacted] gave borrowing certificates to SHAWMUT that were estimates of jobs but not actual sales. SHAWMUT required actual sales in calculating the accounts receivables borrowing base by PRECISION. [redacted] believes that [redacted] needed to include the $400,000.00 figure on his aging report to make it agree with his prior lending requests of SHAWMUT. b6 b7C

[redacted] was paid $2,000.00 per week as consultant to PRECISION.

[redacted] will be deposed in a civil case that SHAWMUT is bringing against [redacted] attorneys are requesting a meeting for a settlement in this matter.